

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 CEA-01 STR-07 DODE-00

PM-05 H-01 L-03 NSC-05 PA-01 SS-15 IO-13 /114 W

-----102093 150400Z /16

R 150339Z MAY 78

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 7419

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E.O.11652: N/A

TAGS: EFIN, TW

SUBJECT: TAIPEI STOCK EXCHANGE

1. TAIPEI STOCK EXCHANGE INDEX HAS SOARED TO RECORD LEVELS SINCE MAY 1, WITH ALL-TIME HIGH OF 539.83 REACHED ON MAY 12. BY COMPARISON, AVERAGE YEARLY INDEX FIGURES FOR RECENT YEARS WERE AS FOLLOWS:

1972	161.15	1975	317.48
1973	371.73	1976	343.04
1974	349.52	1977	382.

2. BECAUSE OF ITS SMALL SIZE (83 COMPANIES LISTED; AVERAGE DAILY TURNOVER ABOUT U.S.25 MILLION) STOCKMARKET HISTORICALLY HAS NOT BEEN CONSIDERED MAJOR FACTOR IN DETERMINING HEALTH OF ROC ECONOMY. MAJOR TRADERS ARE FINANCIAL INSTITUTIONS, PARTICULARLY TRUST AND INVESTMENT COMPANIES. THERE ARE FEW BROKERS TO HANDLE ACCOUNTS OF SMALL INDIVIDUAL INVESTORS.

3. TWO REASONS ARE BEING ADVANCED FOR RECENT RISE IN INDEX. FIRST, KMT-OWNED CENTRAL INVESTMENT HOLDING

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COMPANY REPORTEDLY HAS BEEN BUYING HEAVILY IN MARKET IN ORDER TO CREATE FAVORABLE CLIMATE BEFORE INAUGURATION OF CHIANG CHING-KUO ON MAY 20. SECOND, MARKET IS MERELY REFLECTING STRENGTH OF ROC ECONOMY. EMBASSY HAS CHECKED WITH NUMBER OF U.S. BANKS AND TWO U.S.-INVESTED COMPANIES LISTED ON EXCHANGE. THEY DISCOUNT KMT MANIPULATION OF MARKET AS IMPORTANT

FACTOR. IN THEIR OPINION, BOOMING ECONOMY IS SUFFICIENT  
REASON IN ITSELF FOR RISING MARKET. EARNINGS FOR  
MOST COMPANIES LISTED ON EXCHANGE WERE MUCH HIGHER  
IN 1977 THAN IN 1976, FIRST-QUARTER EARNINGS IN 1978  
WERE UP SUBSTANTIALLY OVER SAME PERIOD IN 1977 AND  
MOST COMPANIES ARE PREDICTING GOOD SALES AND PROFITS  
FOR REMAINDER OF 1978. SULLIVAN

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DATA, SECURITIES MARKETS  
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**Copy:** SINGLE  
**Draft Date:** 15 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978TAIPEI02995  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
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**Review Markings:**  
Sheryl P. Walter  
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